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Executive Registry
71-2664

17 MAY 1971

Admiral George W. Anderson
Chairman
President's Foreign Intelligence
Advisory Board
Executive Office Building

Dear George:

I am enclosing a brief memorandum, together with back-up materials, which represent our coverage of the international monetary crisis in our finished intelligence publications. The record, I believe, is a good one.

Sincerely,

Richard Helms

Richard Helms
Director

Enclosures:
As stated.

CONCERN



Acting Deputy Director for Intelligence

14 May 71
Date

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14 May 1971

MEMORANDUM

CIA Coverage in Finished Intelligence
Publications of the International Monetary Crisis

There has been frequent coverage in finished intelligence over the past seven months of developments leading to the recent international monetary crisis. As frictions between the United States and Europe over money matters built up, these were reported in the daily CIA Bulletin (20 items) or the CIA Weekly (4 articles). In addition, three intelligence memoranda and a part of a fourth dealt with aspects of this subject. Copies of all these items are enclosed. We also included extensive coverage of the US balance of payments problem in the briefing given to the President and Cabinet by Mr. Peterson, Executive Secretary of the Council on International Economic Policy, in April of this year.

In particular, the item included in the President's daily brief on 10 March signaled a warning that trouble lay ahead. A few quotations from it follow:

"The massive outflow of US short-term capital to Western Europe, which has occurred since the reduction of interest rates in the US, has caused deep resentment on the part of European central bankers, according to international banking sources."

"This flow has made it particularly difficult for the Europeans to exercise the monetary controls they believe are necessary to fight their own inflationary problems...The present situation greatly strengthens the long-felt resentment in Europe over large U.S. balance-of-payments deficits

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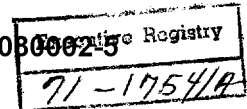
which have forced European bankers to accumulate billions of unwanted dollars year after year instead of gold. Europeans may express their displeasure in the short-run by converting some of their dollars into gold. We have some indications that West Germany and Switzerland have been considering such a course."

(This item was summarized in the CIB on 2 April)

On 27 March, we noted in the CIB that frictions with the US in the international monetary sphere were increasing. Restrictive actions by the West German Bundesbank were reported on 1 April in the CIB, as was the Swiss Federal Council move to clear the way for revaluing the franc. Inflationary effects of the Eurodollar were discussed in the CIWR on 30 April.

On the morning of 5 May, the CIB carried a review of the international monetary situation, indicating that the mark might be allowed to float, which action Germany took later in the day. This article was based in part on a well placed clandestine source. After the crisis broke, reporting was virtually daily. A long review of developments and their possible outcome was included in the President's Daily Brief on 10 May, and repeated in the Bulletin.

We are continuing our current reporting and have under preparation an intelligence memorandum entitled, The Revolt Against the Dollar, designed to integrate past events and estimate likely future developments. We anticipate early June publication. This memorandum will be the 27th in our International Financial Series, which we started three years ago at the request of the Secretary of the Treasury.



22 APR 1971

MEMORANDUM FOR: Admiral George W. Anderson, Jr., USN (Ret.)
Chairman, President's Foreign Intelligence
Advisory Board

SUBJECT: Intelligence Reporting

1. In your memorandum of 6 April you asked why CIA, rather than DIA, produced the paper, "The North Korean Air Force: Strengths and Capabilities." You also asked about lines of demarcation for finished intelligence products among USIB intelligence agencies.

2. The North Korean paper was a direct outgrowth of our experience in preparing a National Security Study Memorandum on Korea (NSSM 27). The involved issues that came up as we prepared the threat section of that NSSM led us to conclude that additional analysis of the capabilities of the North Korean Air Force was needed and that data were available to conduct such analysis.

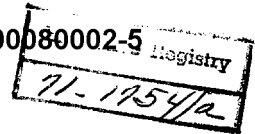
3. DIA has prime responsibility for producing military intelligence, particularly for the use of the Department of Defense, but I may ask my staff to prepare independent analysis of an important development. This is done either to meet my needs or the special needs of senior policy officials and the National Security Council staff. On occasion, the subject matter is of sufficient interest to merit disseminating it widely in the intelligence community. It was on this basis that the North Korean paper received broad distribution.

Richard Helms

Richard Helms
Director

PFIAB

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MEMORANDUM FOR: Admiral George W. Anderson, Jr., USN (Ret.)
Chairman, President's Foreign Intelligence
Advisory Board

SUBJECT : Intelligence Reporting

1. In your memorandum of 6 April you asked why CIA, rather than DIA, produced the paper, "The North Korean Air Force: Strengths and Capabilities." You also asked about lines of demarcation for finished intelligence products among USIB intelligence agencies.

2. Production of the North Korean paper was a direct outgrowth of our experience in the preparation of a National Security Study Memorandum on Korea (NSSM 27). Dealing with some very involved issues that came up in our preparation of the threat section of that NSSM led us to conclude that additional analysis of the capabilities of the North Korean Air Force was needed and that data were available to conduct such analysis.

3. Although DIA has prime responsibility for producing military intelligence, particularly for the use of the Department of Defense, I may ask my staff to formulate an independent analysis of an important development. This is done either to meet my needs or those special needs of senior policy officials and the National Security Council staff. This may appear to be duplication, but I assure you that I do not consider this particular paper unnecessary or undesirable. On occasion, as was the case with this one, these studies are given broad dissemination to provide others in the community and policy-making echelons with an understanding of how we reached our conclusions.

Richard Helms
Director

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Memorandum for Admiral George W. Anderson, Jr. for Signature
of DCI; Subject: Intelligence Reporting

CONCURRENCES:

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R. J. SMITH
Deputy Director for Intelligence

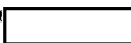
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BRONSON TWEEDY
D/DCI/NIPE

20 Apr '71

Date

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ER IM 71-42 March 1971 # 10
DDI Intell. Memo. (The World Gold Market
in 1970 and Prospects for 1971) Inter. Finance Series 26

Intell. Memo DDI - ER IM 71-64 Apr 71 Copy 30
(Wage Price Turmoil in the Netherland:

Intell. Memo ER IM 71-22 Feb 71 Copy 7
(South Africa: Balance of Payments Propects

DDI Intell. Memo. ER IM 70-159 Nov 70 Copy 26
(Implications of Japan's Balance of Payments Surplus

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Executive Registry

71-1651

2 April 1971

MEMORANDUM FOR THE RECORD

SUBJECT: DCI's Meeting with the President's Foreign Intelligence
Advisory Board, Thursday, 1 April 1971

1. The Director met with the PFIAB from 1530 to 1735 in Room 297 of the Executive Office Building. Present were: Admiral Anderson, Chairman; Drs. Baker and Franklin Murphy; and Messrs. Lincoln and Robert Murphy. Also present were Messrs. [redacted]

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3. The Chairman went on to say he was encouraged by the Secretary of State's interest in intelligence generally and particularly in the collection of it domestically, noting that he was a former Attorney General. The question of advising the FBI of this interest had been discussed with the Secretary and the Chairman remarked that Governor Rockefeller was sufficiently in favor to have taken an opportunity to mention it orally to the President. The DCI remarked on the timeliness of the topic and recounted to the Board the recent meeting with the Attorney General on the question of the possible intercept of international communications in the U. S. At that meeting, also attended by Admiral Gayler and Mr. Hoover, the latter had pointed out that operations against foreign embassies were hampered by the Executive Protection System run by the Secret Service. The Chairman hoped that some oral directive might be received from the President encouraging this type of activity. After questions from Jerry Burke and the Chairman on the role and capability of CIA in this field, the DCI pointed out that CIA participation, in his opinion, would be highly counterproductive and run into a host of problems with the Congress and other groups.

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4. The DCI mentioned recent stories in the press hinting at an intelligence failure in the recent Lamson 719 operation and left papers with the Board containing CIA's estimative memoranda to the White House prior and during the operation. There followed a brief discussion of the operation itself and the DCI's evaluation of it.

5. Continuing with the agenda, the DCI discussed with the Board relations with the Congress, emphasizing changes which had occurred as the result of the deaths of Senator Russell and Congressman Mendel Rivers. The DCI made the point that no basic reorganization had yet been completed since the death of these senior legislators and that the future of CIA's affairs in the Congress was as a result very much up in the air. So far meetings with Congressional committees have largely been on substantive matters and it was still not possible to say how CIA business would be conducted. The DCI felt that, in any event, the influence and discipline exerted by Senator Russell could not be re-established with the present Chairmen and, in view of the fact that he was personally unwilling to bother the President with a question of Presidential privilege, he could only feel that this poor atmosphere would probably continue. In response to the Chairman's question, the DCI had no recommendations as yet and felt that it would be preferable to let things take their course for a bit longer before attempting anything specific. A brief discussion was also held on the unsatisfactory conditions obtaining with regard to clearances for Congressional Staff.

6. The DCI briefed the Board on the status of the President's initiative on the disclosure of classified information and left copies of the relevant papers with the Board. A copy of the DCI's final report to the President will go to the Board.

7. There followed, primarily at Dr. Murphy's instance, a discussion of the desirability of making sure the Soviets were authoritatively informed on certain U. S. military and weapons developments in the interest of "deterrence." The other side of this, it was agreed, was the problem of keeping the American people credibly informed on Soviet military realities. In conclusion, it was agreed that little could be done in this field without the authority of the President, although the DCI made clear he thought certain things could be accomplished, were he so instructed.

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the intelligence community to get going on any job with excellent efficiency. After some discussion of the subject, it was generally agreed it would make little sense to try to separate Henry Kissinger from intelligence matters in view of his role as national security advisor to the President. The DCI summarized the situation by saying that despite its shortcomings, the national intelligence available to the President has never been better and he never more fully informed; and that the intelligence community was quite aware of the gaps in its knowledge.

11. The Chairman asked about duplication and the DCI replied that with the exception of some unnecessary proliferation of publications, which nevertheless had a certain value to the agencies putting them out, there was precious little duplication that he could identify and that which was present in the analytical field he was all in favor of. He cited the problem of trying to estimate the capacity and North Vietnamese traffic on the Ho Chi Minh trail, something of vital importance to future Presidential policy on the war, and the inestimable value of second opinions in conducting this analysis.

(Signed) Bronson Tweedy

Bronson Tweedy
D/DCI/NIFE

cc: DDCI

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23 JAN 1971

Admiral George W. Anderson, USN (Ret.)
Chairman, President's Foreign Intelligence
Advisory Board
Room 300
Executive Office Building

Dear George:

Thank you for your note of 14 January on the Sino-Soviet border situation.

I share your concern and can assure you that the community has been watching intently the entire spectrum of Sino-Soviet relations, using all the collection and analytical assets available.

In early 1970, at the request of the President, CIA began issuing a bi-weekly report on relations between the two countries. I am enclosing copies of the two most recent reports and will see that the PFIAB receives future issuances. In addition, we periodically publish more detailed accounts of the military posture of both sides along the border.

The Watch Committee of USIB keeps the matter of Sino-Soviet relations under constant review. The Watch Report, issued by USIB weekly or more often if necessary, treats the subject regularly from the warning point of view.



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A recently completed study on Sino-Soviet Relations and the Question of Hostilities is being sent to you under separate cover. This study, which you requested, gives some further insight into this matter.

As we now see the situation, the Soviets are continuing, as they have since the mid-1960's, to build up their forces opposite China. With current force levels in the area, the Soviets could repel any thrust the Chinese would be likely to make against the USSR in the next few years. At present, however, we do not consider the Soviet border forces capable of conducting large scale protracted operations into China without substantial reinforcement.

If you would care to outline any specific areas about which you are concerned, I can arrange to have someone discuss these with you at your convenience.

Sincerely,

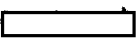
/Richard Helms
Richard Helms
Director

Enclosures:



NIPE  :eh (22 Jan 71)

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